

# Agnico Mines L I M I T E D

ANNUAL  
REPORT

FOR THE YEAR ENDED DECEMBER 31,

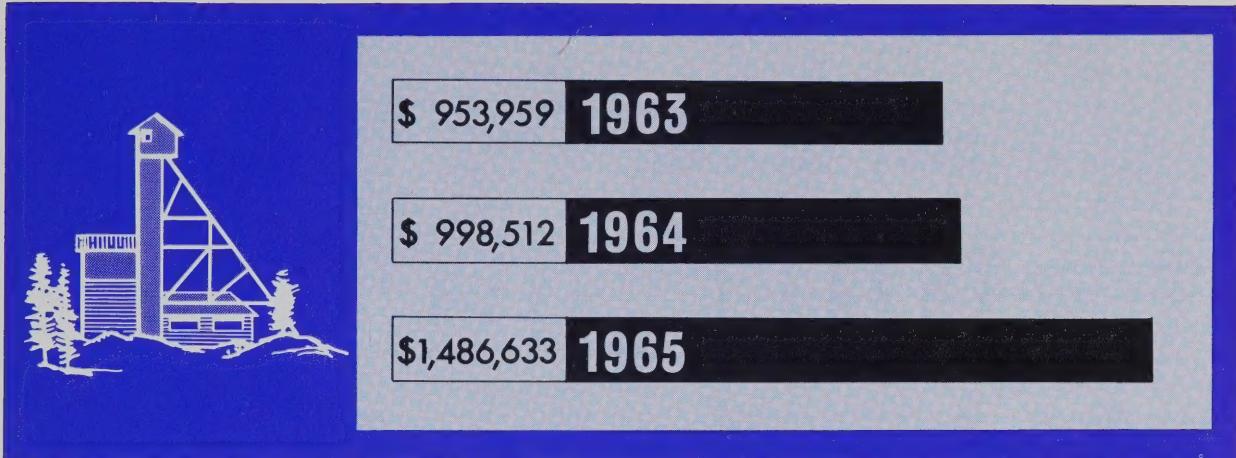
1965

Americo Agni

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## GROSS DOLLAR VALUE OF PRODUCTION



## OPERATING AND FINANCIAL HIGHLIGHTS — 1965

- Silver recovery up 51%
- Gross metal revenue up 50%
- Net profit at highest level in company's history
- Working capital up 56%
- Two major exploration projects in progress

**AGNICO MINES LIMITED**

# AGNICO MINES LIMITED

REPORT FOR THE YEAR ENDED DECEMBER 31, 1965

ANNUAL MEETING OF SHAREHOLDERS, APRIL 25, 1966,  
ROOM No. 9, ROYAL YORK HOTEL, TORONTO, ONTARIO,  
11:00 A.M. (TORONTO TIME)

Executive and Head Office	Suite 1101, 365 Bay Street, Toronto, Ontario
Mine Office	Cobalt, Ontario
Directors	MILTON KLYMAN BERNARD KRAFT JULIUS OSHEROFF PAUL PENNA NORMAN B. SHERIFF JOHN J. VORBACH, Jr.
Officers	NORMAN B. SHERIFF, <i>President</i> PAUL PENNA, <i>Vice-President and Managing Director</i> BERNARD KRAFT, <i>Secretary-Treasurer</i>
Mine Manager	GORDON W. KIRK
Consulting Engineer	WALTER F. BROWN, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Thorne, Mulholland, Howson & McPherson Chartered Accountants, Toronto, Ontario
Bankers	Canadian Imperial Bank of Commerce Toronto, Ontario (City Hall Branch)
Shares Listed	Toronto Stock Exchange, Toronto, Ontario Canadian Stock Exchange, Montreal, Quebec

# DIRECTORS' REPORT

To the Shareholders,  
AGNICO MINES LIMITED:

Your Directors are pleased to present the audited financial statements for the year ended December 31, 1965, and also the report of the Mine Manager, which provides details of mine operations, development and exploration results for this period. The following is a summary of these reports, along with a general review of developments since the end of the fiscal year.

Net income for 1965 of \$323,042 was the highest in the company's history, reflecting the result of the extensive exploration program that was initiated late in 1963, and is still continuing. Both silver production and gross metal revenue increased by approximately 50% over that of the previous year. Silver production totalled 1,101,932 ounces compared with 730,709 ounces in 1964, while gross metal revenue was \$1,486,633 compared with \$998,512 in 1964.

This considerable improvement is attributed to the 407 Shaft Property which came into significant production early in 1965, and is presently the source of more than half the total silver recovery. Although final figures were not available at the time of writing, it is indicated that silver production for the first quarter of the current fiscal year will be in excess of a quarter of a million ounces.

The new 4401 crosscut at the 445-foot level, which has now been advanced about 900 feet or approximately 75% of the total objective, has necessitated the hoisting of considerable waste rock, thereby reducing the tonnage of mine muck that can be handled through the shaft. On the completion of this crosscut, and with the advance of stope development, it is expected that the tonnage of ore hoisted from the 407 Shaft Property will be increased.

As noted in the Interim Report to Shareholders covering the nine-month period ended September 30, 1965, the Christopher mine has been placed on a salvage basis, and although still providing appreciable silver recovery, it will be closed down during

the current year. Extensive drilling failed to locate any new veins of economic significance on the Christopher property and operations on this unit are now confined to the removal of broken ore from the stopes when mining has been completed.

The following is a review of the main production and exploration projects on which operations have been concentrated during this period under review:

## 407 SHAFT PROPERTY

As previously mentioned, the 407 Shaft property has been a prime source of silver production during the past year and can be expected to contribute increasing tonnages of ore as development is advanced. A composite plan of the 407 Shaft area is appended, illustrating the advance of drifting and crosscutting on the various levels since May, 1965. This plan also shows the extent of the development of ore shoots on the 300-foot and 360-foot levels.

The new 360-foot level crosscut reached the first of two major ore zones indicated by prior surface drilling during January of 1965. Six veins have now been developed on the 360-foot level and all have been found to contain large shoots of high grade ore. Exploratory underground drilling on this level continues to locate new silver occurrences which are being progressively developed for production. Currently, a high grade vein, located 40 feet east of the shaft, is being opened up by a sub-drift 30 feet above the level to develop the high grade that extends beneath the 300-foot level. At recent date this sub-drift had been advanced for a distance of 170 feet, and on the basis of drill information it is indicated that it will be extended for a total length of 250 feet. Although the high grade does not extend for this full distance, it is expected to yield good grade mill rock.

As noted in the October 25th Interim Report to Shareholders, high grade silver was opened up on the 300-foot level, about 600 feet north and slightly west of the shaft. Two vein systems are under

## DIRECTORS' REPORT (Continued)

development, as indicated on the appended plan. The 4401 crosscut on the new 445-foot level is being driven southeast to develop the major ore zone indicated by previous surface drilling. This major ore zone is located about 1,200 feet from the shaft. A recent hole drilled from the 360-foot level (N 120) intersected a high grade vein that assayed 560.6 ounces silver across 1.8 feet just ahead of, and apparently slightly above, the present development face of the 4401 crosscut.

Results to date in the development of the extensive prospective area of the 407 Shaft Property have strongly confirmed the earlier forecast of substantial tonnage potential, and it is indicated that many additional new silver veins will be found as current development opens up new ground for exploration. The new 445-foot level development is a particularly interesting project.

### O'BRIEN PROPERTY

While the 407 Shaft Property is now clearly established as the main production unit, the O'Brien continues to provide a significant tonnage of mill feed. Many modest ore zones have been developed and mined during the year and potential new ore zones in the vicinity of the No. 2, No. 14 and No. 16 shafts are scheduled for development on completion of current diamond drilling.

### CART LAKE NO. 2 SHAFT PROPERTY

This property, located about 3,000 feet west of the 407 Shaft, is now under active development on the 98-foot level and the No. 1 Vein, containing good leaf silver, is being developed at a point about 500 feet south of the shaft. A raise on this vein shows more intense silver mineralization in the overlying cobalt sediments. The No. 2 Vein, which was also discovered by earlier surface drilling, has been opened up by a raise to the cobalt sediment-Keewatin contact with sub-drifting exposing a faulted zone containing heavy plates of silver. Development rock from the Cart Lake shaft is now provid-

ing modest silver recovery, which in the first two months of the current year yielded 11,220 ounces of silver.

Previously reported surface drilling intersected a high grade ore shoot about 500 feet west of the shaft, adjacent to the old workings. The present program of surface diamond drilling will be supplemented with underground exploratory drilling to test the ground near the old workings north of the shaft where previous drilling returned encouraging results.

### 150 SHAFT PROPERTY

This new exploration project will probe an area considered geologically similar to the 407 Shaft Property about 2,000 feet east of the 150 Shaft. The shaft was sunk many years ago by the former owners, around the time when the 407 Shaft was originally explored. It is sunk to a depth of 309 feet with three levels at 100 foot intervals in cobalt sediments similar to those on the 407 Shaft Property. The hoisting plant of the Christopher has been moved to this site, and the shaft collar and head-frame has now been completed. After the workings have been dewatered, an extensive underground drilling program will be undertaken to explore horizons now known to be favorable to silver ore deposition in this area, as evident at the 407 Shaft property.

In addition to the two current main projects at the Cart Lake No. 2 Shaft and the 150 Shaft, your company continues to systematically explore its extensive property holdings in the Cobalt Camp. During the period under review, exploratory surface drilling was carried out on the Agaunico, Ibsen Pond, Mayfair and Professor properties. This work, however, did not meet with much encouragement and the diamond drilling programs on them were discontinued during the year. There is of course, considerable additional ground including former producing mines, held by your company. Currently, exploration is being carried out on the 404 claim and the Foster claim.

## TAILINGS RECLAMATION PROJECT

As previously reported, Kilborn Engineering Limited was engaged last year to supervise further test work on the treatment of the tailings in the bed of Cobalt Lake owned by your company. The tailings, which came from various former milling operations in the area, comprise about one million tons averaging about four ounces of silver per ton.

The test work by Kilborn Engineering has now been completed satisfactorily. Regrinding and flotation of the tailings indicates that a very good profit can be made at the present price of silver. Kilborn Engineering Limited has been engaged to obtain the necessary equipment and supervise its installation. The plant is designed to handle about 1,000 tons of tailings per day.

Rehabilitation of the mill building and installation of equipment is scheduled to start during May of this year. Providing deliveries of equipment can be made on time, it may be possible to start operations before the end of the current year, otherwise it may be delayed until the spring of 1967.

## FINANCIAL

As stated, earnings were at a record level during 1965, with a profit of \$473,262 realized from gross metal revenue of \$1,486,633, before allowances for depreciation and amortization of deferred development. The subsequent net income of \$323,042 compares with \$2,633 in 1964, and a net loss of \$76,610 in 1963. The increase in working capital from \$549,689 in 1964, to \$857,182 in 1965, was substantially generated from mine operations.

The degree of profitability in 1965, achieved in face of continuing heavy exploration and development expenditures, demonstrates very satisfactory operating efficiency. The Board of Directors acknowledges the capable work of the technical personnel and mine employees, and the continued loyal support of shareholders.

On behalf of the Board of Directors.

PAUL PENNA,  
Managing Director.  
March 15, 1966.

It is with deep regret that the Directors record the death on July 18, 1965, of Thomas S. Elmore, Q.C., who served on the Board of your company.

# BALANCE SHEET — December 31, 1965

(With comparative figures for 1964)

## ASSETS

### CURRENT ASSETS:

Cash .....
Short-term deposit .....
Smelter settlements outstanding, at estimated net realizable value .....
Concentrates and high-grade ore on hand, at estimated net realizable value .....
Marketable securities, at cost (market value \$46,000) .....
Accounts receivable .....
Supplies, at average cost .....
Prepaid expenses .....

### DEPOSITS:

Power contracts .....
Other .....

### INVESTMENTS IN WHOLLY OWNED SUBSIDIARY COMPANIES, at nominal value, (note 1) .....

### FIXED ASSETS:

Buildings, machinery and equipment (note 2) .....
<i>Less</i> Accumulated depreciation .....
Mining properties (note 3) .....

### DEFERRED EXPENDITURES, LESS AMORTIZATION:

Operating .....
Development .....

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable and accrued expenses .....
Royalty income received in advance .....

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK:

Authorized, 5,000,000 shares, par value \$1.00 each .....
Issued, 3,434,327 shares .....
<i>Less</i> Discount thereon .....

DEFICIT .....
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# AGNICO MINES LIMITED

*Incorporated under the laws of Ontario*

## AUDITORS' REPORT

1965	1964
152,810	7,754
200,000	325,000
457,361	271,391
33,230	20,038
40,150	11,778
37,286	31,369
22,327	8,867
9,584	676,197
952,748	
17,806	17,421
1,250	1,250
19,056	18,671
2	2
1,606,426	1,560,930
1,506,179	1,469,534
100,247	91,396
328,561	328,561
428,808	419,957
9,614	8,136
186,002	181,167
195,616	189,303
\$1,596,230	<u>\$1,304,130</u>
92,441	119,593
3,125	6,915
95,566	126,508
3,434,327	3,434,327
1,053,650	1,053,650
2,380,677	2,380,677
880,013	1,203,055
1,500,664	1,177,622
\$1,596,230	<u>\$1,304,130</u>

*To the Shareholders of  
AGNICO MINES LIMITED:*

*We have examined the balance sheet of Agnico Mines Limited as at December 31, 1965 and the statements of income and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

*In our opinion the accompanying balance sheet and related statements of income and deficit present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*

*Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the working capital of the company for the year ended December 31, 1965.*

THORNE, MULHOLLAND, HOWSON & MCPHERSON,  
*Chartered Accountants.*

*Toronto, Canada,  
February 16, 1966.*

Approved on behalf of the Board:

PAUL PENNA, Director.

BERNARD KRAFT, Director.

The accompanying notes are an integral part of this statement.

**AGNICO MINES LIMITED**  
**NOTES TO FINANCIAL STATEMENT**  
**Year ended December 31, 1965**

**1. SUBSIDIARY COMPANIES:**

The accounts of the subsidiaries, Cobalt Properties Limited and Medusa Mines Limited, have not been consolidated herein because the companies are inactive.

**2. BUILDINGS, MACHINERY AND EQUIPMENT:**

Buildings, machinery and equipment are valued on the basis of an appraisal made by Dominion Appraisal Company Limited on May 8, 1953, with subsequent additions at cost.

**3. MINING PROPERTIES:**

Mining properties acquired at the time of incorporation of the company are carried at a nominal value of \$1.00. Subsequent additions are at cost.

**4. TAXES ON INCOME:**

No provision for taxes on income is required because the company has applied for a tax exemption period commencing July 1, 1965 on mineral income from one of its properties from which the majority of its income is derived.

**5. REMUNERATION OF DIRECTORS:**

Remuneration of directors, as such, amounted to \$200 in 1965 and \$600 in 1964.

**AGNICO MINES LIMITED**  
**STATEMENT OF INCOME**

**Year ended December 31, 1965**

(With comparative figures for 1964)

REVENUE:	1965	1964
Production of metals . . . . .	1,486,633	998,512
Less Marketing expenses . . . . .	100,775	78,955
	<hr/>	<hr/>
Custom milling . . . . .	1,385,858	919,557
Royalty income . . . . .	147,580	127,956
	<hr/>	<hr/>
	27,327	18,460
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	1,560,765	1,065,973
	<hr/>	<hr/>
OPERATING EXPENSES:		
Mining and development . . . . .	805,745	716,140
Milling . . . . .	201,603	208,194
Transportation of ore . . . . .	38,883	48,881
Royalty expense . . . . .	4,740	10,886
Administration . . . . .	50,174	42,804
	<hr/>	<hr/>
	1,101,145	1,026,905
Less Sundry income . . . . .	13,642	2,709
	<hr/>	<hr/>
	1,087,503	1,024,196
	<hr/>	<hr/>
Income before undernoted items . . . . .	473,262	41,777
	<hr/>	<hr/>
Depreciation . . . . .	42,938	39,144
Amortization of deferred development . . . . .	107,282	<hr/>
	<hr/>	39,144
	150,220	<hr/>
NET INCOME FOR YEAR (note 4) . . . . .	\$ 323,042	\$ 2,633

## STATEMENT OF DEFICIT

Year ended December 31, 1965

Deficit at beginning of year . . . . .	1,203,055
Net income for year . . . . .	323,042
<b>DEFICIT AT END OF YEAR . . . . .</b>	<b>\$ 880,013</b>

**AGNICO MINES LIMITED**  
**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

**Year ended December 31, 1965**

(With comparative figures for 1964)

FUNDS MADE AVAILABLE:	1965	1964
By operations:		
Net income for year .....	323,042	2,633
<i>Add Expenses which do not involve an outlay of funds:</i>		
Depreciation .....	42,938	39,144
Amortization of deferred development .....	107,282	
	473,262	41,777
Issue of capital stock .....		380,000
Fire insurance proceeds .....	17,659	
Reduction of power contract deposits .....		625
	490,921	422,402
FUNDS APPLIED:		
Deferred expenditures .....	113,595	181,157
Additions to fixed assets .....	69,448	13,168
Increase in power contract deposits .....	385	
	183,428	194,325
INCREASE IN WORKING CAPITAL .....	307,493	228,077
Working capital at beginning of year .....	549,689	321,612
WORKING CAPITAL AT END OF YEAR .....	\$ 857,182	\$ 549,689
Current assets .....	952,748	676,197
Current liabilities .....	95,566	126,508
	\$ 857,182	\$ 549,689

## MANAGER'S REPORT

The President and Directors,  
AGNICO MINES LIMITED,  
Suite 1101 — 365 Bay Street,  
TORONTO 1, Ontario.

March 1, 1966.

Gentlemen:

I am pleased to submit the following report which covers the operations of Agnico Mines Limited for the year ended December 31st, 1965.

### PRODUCTION

The Nipissing 407, Christopher, and O'Brien properties were the main sources of production during 1965. A small tonnage of development ore was derived from the Cart Lake Property near the end of the year.

The average monthly production for 1965 was 91,827 ozs. This increase over previous years was the result of production of above average grade ore from Nipissing 407.

Custom milling was a source of revenue up until November.

The following is a comparative summary of the main production items:

	1965	1964
Ounces silver produced .....	1,101,932	730,709
Pounds cobalt produced .....	93,257	92,107
Gross value of metals sold .....	\$1,486,633	\$998,512
Gross value per ounce of contained silver .....	\$1.35	\$1.37
Total tons milled from company properties .....	70,975	71,489
Custom ore milled .....	38,051	33,703
Total tons milled .....	109,026	105,192
Total tons hoisted .....	74,198	70,382
Calculated head ounces silver/ton .....	16.40	11.18
Recovery ounces silver/ton .....	15.53	10.21
Extraction efficiency .....	94.64%	91.32%

### EXPLORATION AND DEVELOPMENT

NIPISSING 407 — The new 360 foot level has produced a large portion of the ore from this property. The six veins that have been developed at this horizon have all been found to contain large shoots of high-grade ore. Diamond drilling on this level continues to locate new silver occurrences which are being developed as rapidly as possible.

## MANAGER'S REPORT (Continued)

A highgrade vein, located 40 feet east of the shaft, is being opened up by a sub-drift along the Keewatin-cobalt sediment contact, 30 feet above the 360 foot level.

Drifting on the 300 foot level north of the shaft has exposed a strong vein containing highgrade silver. A raise driven on this vein contains highgrade silver in the face 60 feet above the level.

On the 445 foot level, a long crosscut is being pushed out to the south to develop a major ore zone indicated by former surface diamond drilling and more recently by an underground drill hole from the 360 foot level which intersected a 2 inch highgrade vein.

Results to date suggest that many more silver producing veins will be found as current development opens up new ground for exploration.

O'BRIEN — Many small ore zones have been developed and mined providing a modest tonnage of ore. There are potential ore zones in the No. 2 shaft, No. 14 shaft and No. 16 shaft areas to be developed as soon as diamond drilling has outlined their extent.

CART LAKE — Two veins were intersected by surface diamond drilling about 500 feet south of the shaft. No. 1 vein, containing good leaf silver, is being developed in the Keewatin rocks just beneath the cobalt sediment contact. A raise on this vein reveals more intense silver mineralization in the sediments. No. 2 vein, located farther to the west, has been opened up by raising 40 feet to the cobalt sediment-Keewatin contact, where sub-drifting has exposed a faulted zone, containing heavy plates of silver.

Surface diamond drilling has indicated a highgrade ore shoot 500 feet west of the shaft adjacent to old workings.

An underground diamond drill program is planned to explore ground near the old workings north of the shaft where surface diamond drilling has given some encouraging results.

COBALT LODE-CHRISTOPHER — Several ore occurrences were developed and mined during the first part of the year, including high grade pillars left from previous mining.

Since an intensive diamond drill program failed to locate new veins of ore grade, it was decided to pull the broken ore from the stopes when mining had been completed, and to salvage material and equipment from underground preparatory to closing down the mine.

AGAUNICO — Surface diamond drilling at the south end of the property exploring the cobalt sediments and the underlying Keewatin tuffs did not provide any encouraging results. The surface mining plant will be removed to eliminate the expense of maintaining this property.

**NIPISSING 150 SHAFT** — This shaft is located 2,000 feet west of 407 Shaft. It has a depth of 309 feet with three levels at 100 foot intervals in cobalt sediments similar to those on the 407 property. The hoisting plant at the Christopher mine has been moved to this site. After the workings have been dewatered, an extensive diamond drilling program will be undertaken to explore horizons known to be favourable to silver ore deposition in this area.

**IBSEN POND, MAYFAIR, PROFESSOR** — Diamond drilling of these claims met with little success and was discontinued early in the year.

The following is a tabulation of this exploration and development:

	1965 Footage	Unit Cost	1964 Footage	Unit Cost
Crosscutting and drifting .....	6,775	\$29.76	6,031	\$24.89
Raising .....	3,047	19.70	3,593	16.20
U/G Diamond Drilling .....	54,140	3.26	51,353	3.42
Surface Diamond Drilling .....	12,490	4.47	17,637	3.68

## GENERAL

**LABOUR RELATIONS** — Effective January 1st, 1966, a new two year contract was signed with the United Steelworkers of America reducing the work week to 40 hours and providing to all employees a 10¢ per hour increase in wages.

**CONCENTRATE TREATMENT** — Highgrade silver concentrates are being shipped to Cobalt Refinery while the lower grade flotation concentrates continue to be shipped to Noranda Mines.

**WAREHOUSING** — A new warehouse was constructed at the Penn Mill site in order to centralize and increase the efficiency of handling materials.

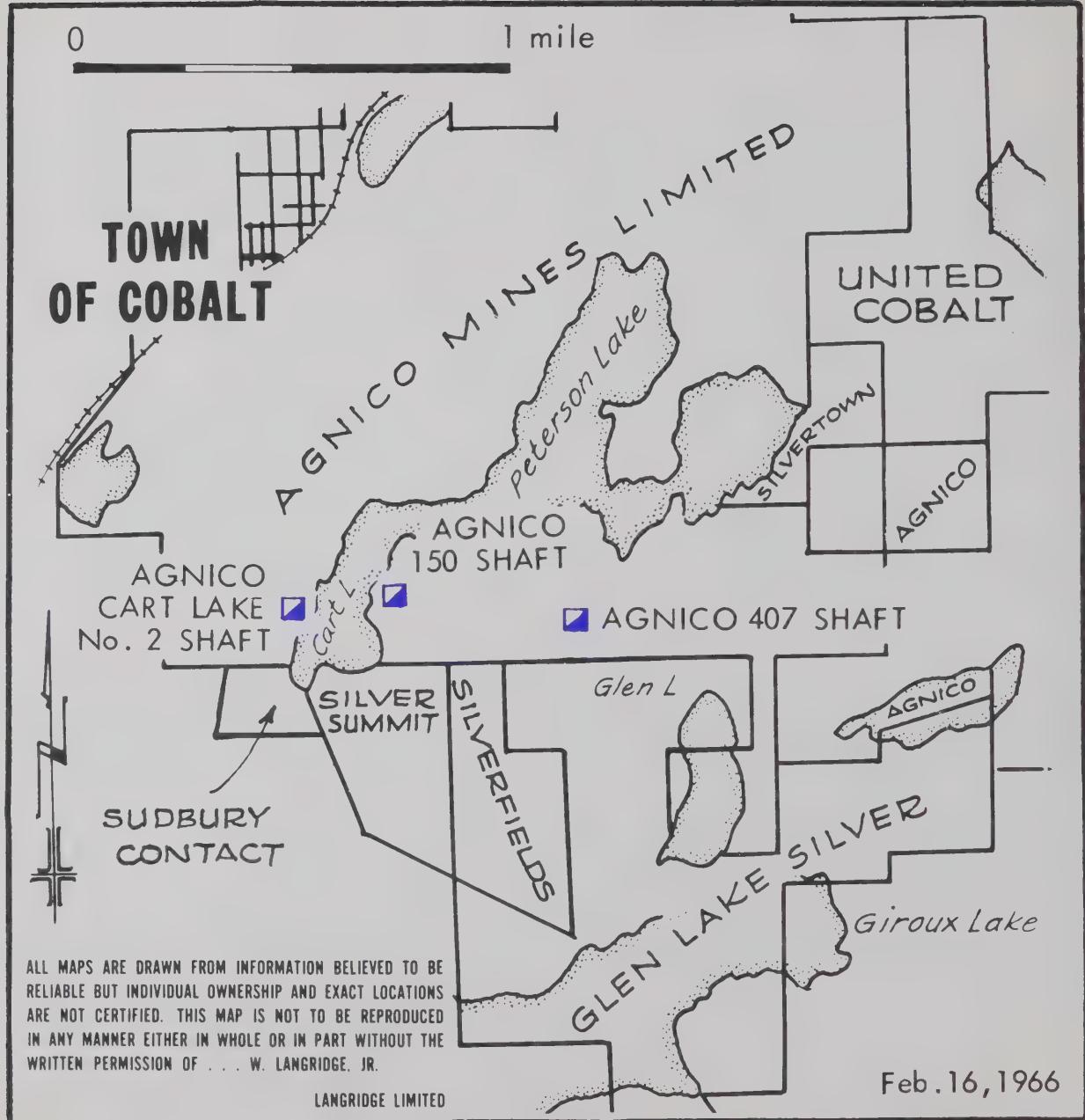
**TRUCKING** — Two new ore trucks and a service truck were purchased to replace old units.

I wish to extend my appreciation to the Board of Directors, Staff and employees for their effective cooperation throughout the year.

Respectfully submitted,

AGNICO MINES LIMITED,

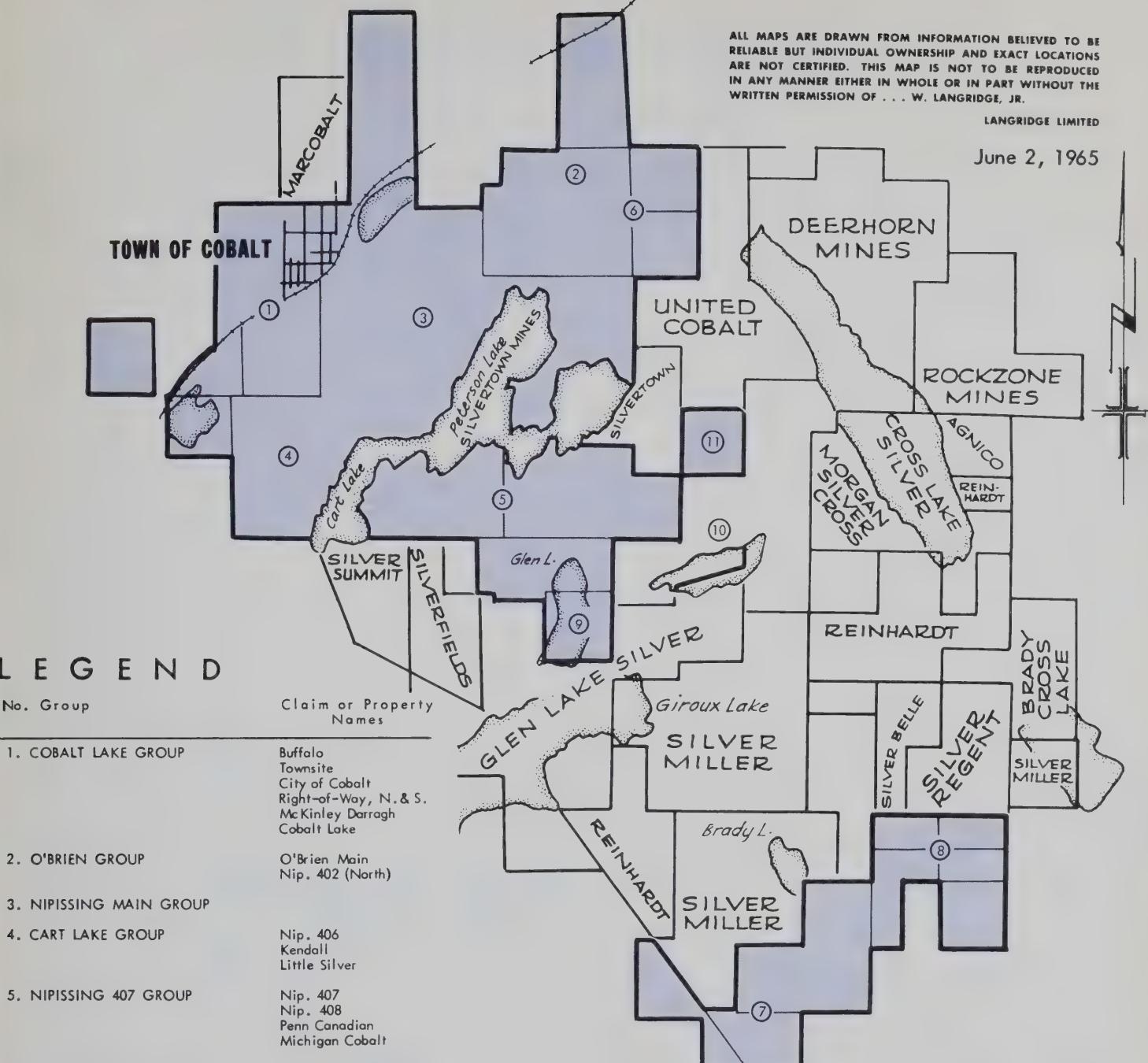
G. W. KIRK,  
Manager.



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LANGRIDGE LIMITED

June 2, 1965

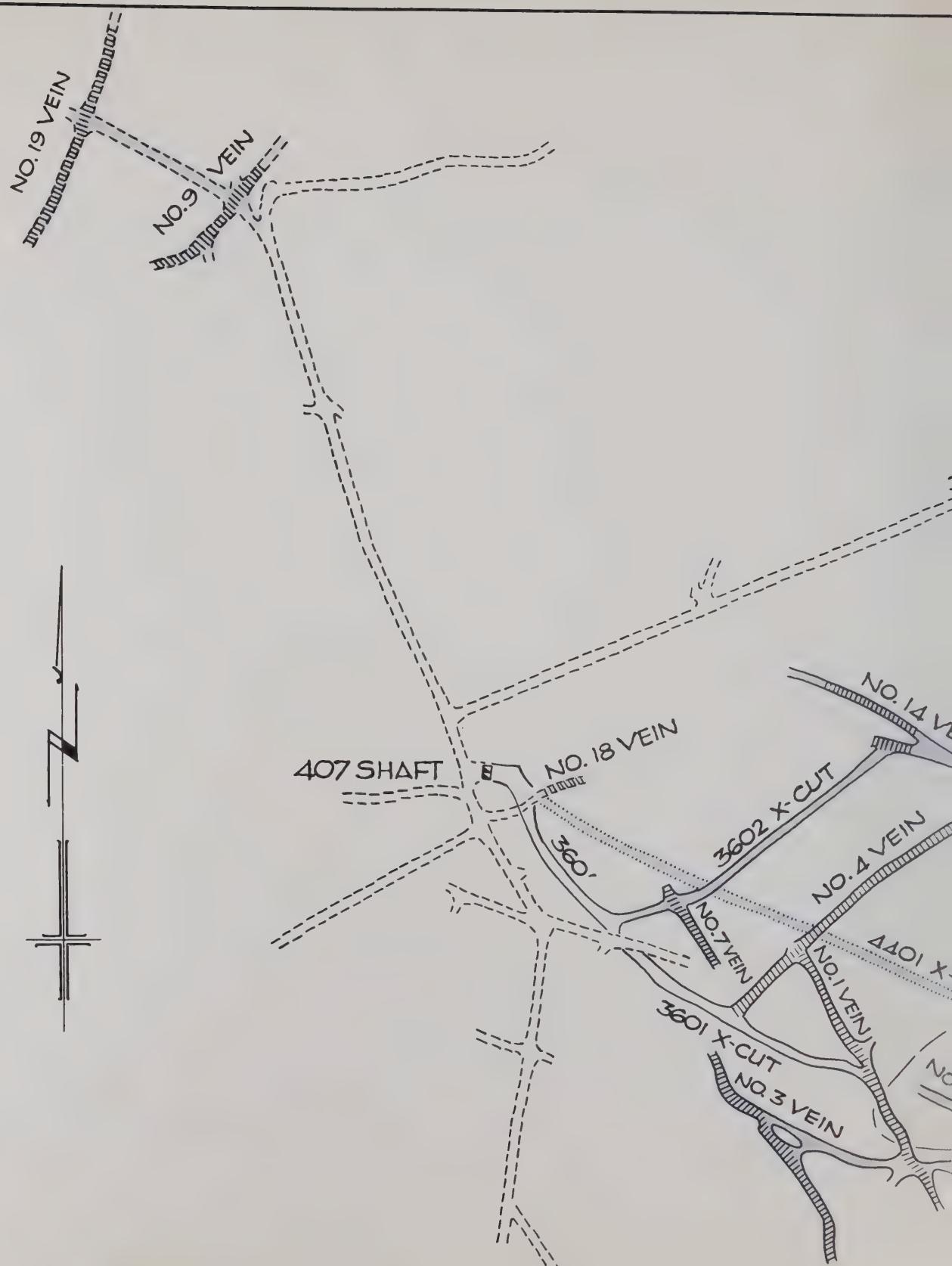


# AGNICO MINES LIMITED

## HOLDINGS in the COBALT SILVER AREA

### ONTARIO

0 1 mile



— Ore shoots developed

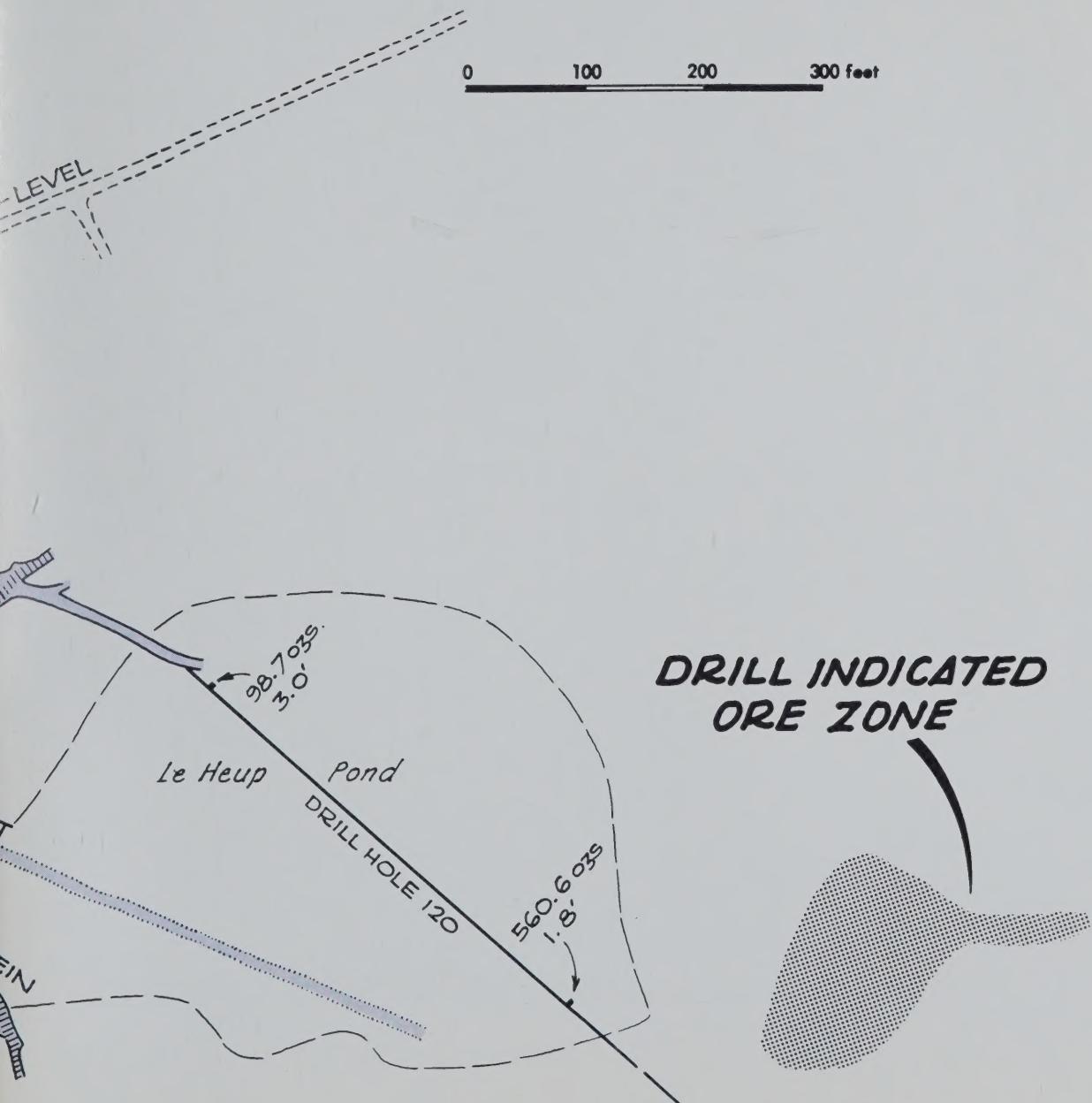
1965 - 66 underground development

# AGNICO MINES LIMITED

COBALT - ONTARIO

## COMPOSITE PLAN of UNDERGROUND WORKINGS in the 407 SHAFT AREA

0      100      200      300 feet



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LANGRIDGE LIMITED

March 14, 1965







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